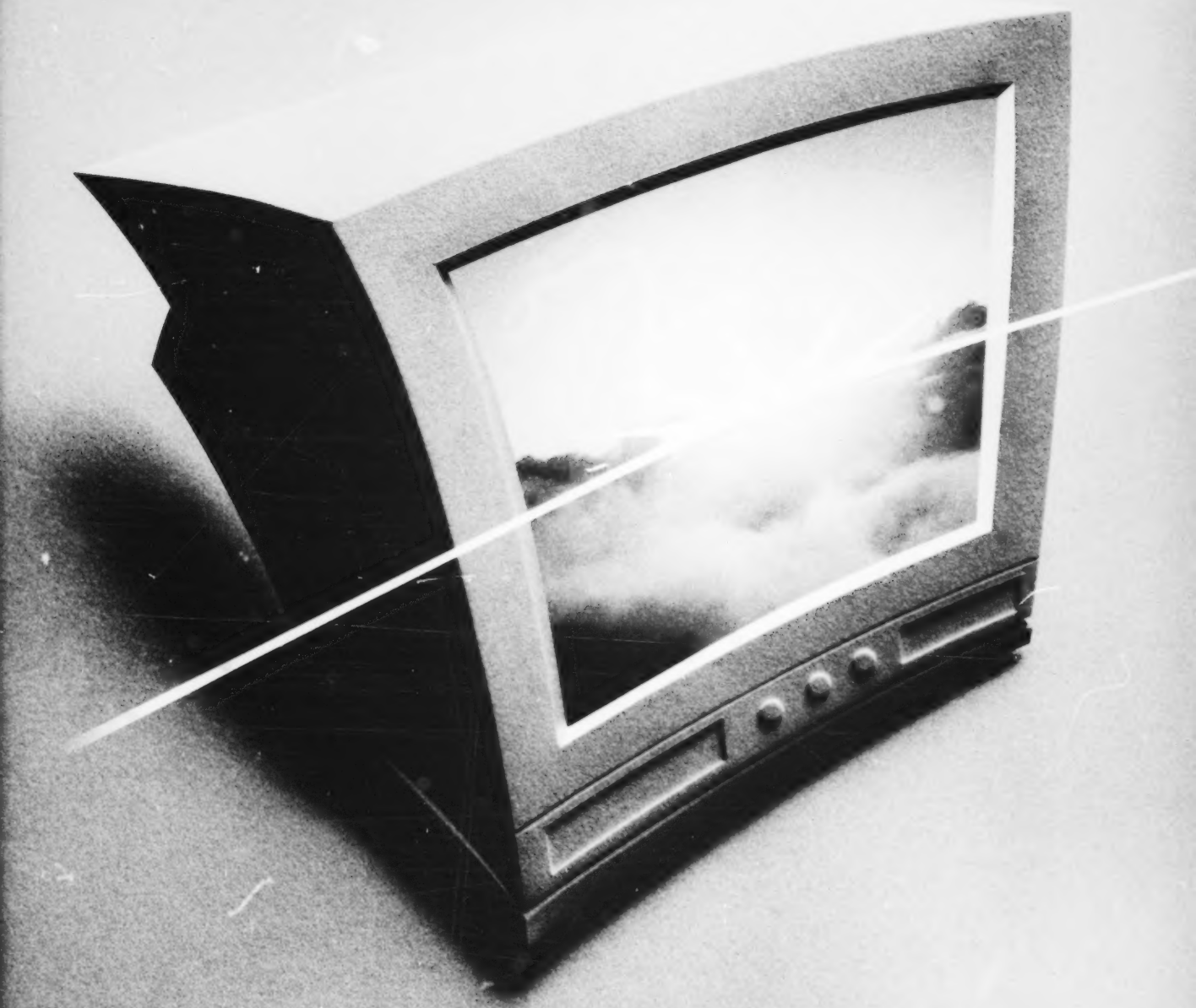
THE STORYTELLER'S STORY



SCN

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Letter of Transmittal

To Her Honour
The Honourable Dr. Lynda Haverstock
Lieutenant Governor of Saskatchewan

Your Honour:

I am honoured to submit the annual report of the Saskatchewan Communications Network Corporation (SCN) for the year ended March 31, 2006, including financial statements, in accordance with ***The Communications Network Act***.

Respectfully,

Glenn Hagel
Minister Responsible for SCN

SCN is a modern storyteller in the ancient tradition:
teacher, entertainer, and keeper of cultural values.

Message from Board Chair

As the Chair of the Board of Directors for SCN, I take great pride in seeing SCN, a dynamic and visionary organization, growing to fulfill its vital niche as Saskatchewan's Storyteller.

By showcasing regional programming, SCN's broadcast network is culturally affirming for all the citizens of Saskatchewan, bridging north and south, rural and urban. Furthermore, the SCN E-Learning Network facilitates opportunities for high school and postsecondary education that are critical for students in rural and remote communities.

SCN's work supports producers, teachers, parents and more: indeed the entire provincial community benefits from SCN, which serves as teacher, entertainer and keeper of cultural values. I look forward to continued growth and innovation at SCN.

Diana Milenkovic
Chair, SCN Board of Directors

SCN Board of Directors 2005 - 2006

Ken Alecxe, President and Chief Executive Officer
Diana Milenkovic, Chair
Terry Paley, Vice Chair
Kelly Miner
Gayle Schuster
Barbara MacLean
Kennetch Charlette
Patti Pacholek
Chris Lee
Raj Randhawa
Patricia Roe

Message from President and CEO

What a year its been for SCN, a year of growth and cultural celebration. Throughout 2005, SCN stood for Saskatchewan's Centennial Network, supporting and broadcasting a wide variety of television programming that celebrated Saskatchewan's history, people and culture.

Now in 2006, SCN is celebrating a milestone of its own: the 15th anniversary of the SCN public educational broadcast network. Over the years, SCN has played a significant role in the growth of the province's film and TV industry, and grown itself in the process.

SCN has supported over 600 local productions in 15 years on its public broadcasting network, and it's exciting to know that SCN's $11.0 million investment into regional programming has triggered over $107.5 million in jobs and other economic activities in Saskatchewan.

The E-Learning Network has also grown. In its first year, eight university courses were televised to 968 students. Today, SCN delivers courses for high schools, SIAST, and regional colleges, as well as Saskatchewan's universities, to literally thousands of students each year.

Looking back, and looking forward: the one constant for SCN has been growth. It all comes together as The Storyteller's Story, now 15 years in the making, and with this annual report, I am proud to present the 2005 – 2006 chapter.

Ken Alecxe
President and CEO of SCN

SCN Executive Team 2005 - 2006

Ken Alecxe, President and Chief Executive Officer
Richard Gustin, Executive Director, Programming
Twyla MacDougall, Executive Director,
Finance, Strategic Planning and Human Resources
David Stanchuk, Director, Technology
Linda Payeur/Ranjan Thakre, Manager, Production
Maureen MacDonald, Director, Communications and Marketing

Telling Stories that Celebrate... Stories that Matter

Ted's Story: Honouring Melissa - Cooper Rock Pictures Inc

Looking back and looking forward

Throughout 2005, SCN was Saskatchewan's Centennial Storyteller. Boasting an eclectic roster of programming created to celebrate the province's 100th anniversary, SCN cultivated cultural pride in Saskatchewan history. Now into 2006 and celebrating its own milestone – 15 years as Saskatchewan's Storyteller – SCN proudly looks back on a year of celebration, growth and achievement.

Five satellite networks

A technical leader in the province, SCN operates five networks:

- Public Broadcast Network
- E-Learning Network
- Digital Satellite Network 2 (DSN2)
- Special Events Network
- Saskatchewan Legislative Network

Production crew - St. Peter E-Learning class

Meeting public priorities

Through its programs and technology, SCN strives to meet three important public priorities:

- cultural affirmation
- economic opportunity
- access to information and educational opportunities.

Saturday Night in Saskatchewan - Westwind Pictures

SCN's regional programming strengthens the entire Saskatchewan community by showcasing the province's unique culture and providing exciting jobs in the film and TV industry.

The E-Learning Network continues to grow and deliver educational opportunities to Saskatchewan people wherever they live.

DSN2 provides high-speed internet access to communities that do not have access to broadband, benefiting rural and remote schools, government offices, health institutions and more.

Did you know
The SCN Broadcast Network has supported and broadcast over 600 regional productions – that's over 600 Saskatchewan stories.

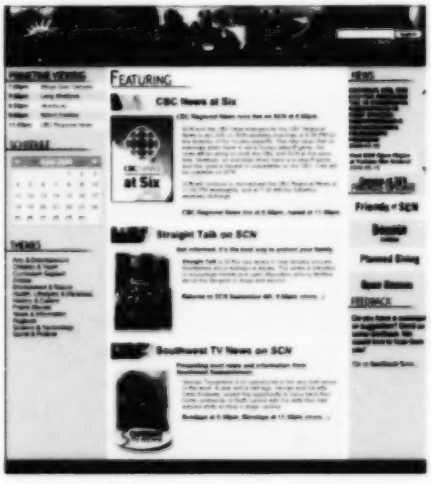
Helping Saskatchewan People Tell Their Own Stories

Centennial Homecoming Video Series 2005

SCN continues to challenge important issues with innovation. From exploring new uses of technology, to developing new series that ring with the voices of Saskatchewan people, SCN strives to reach a wider audience.

Streaming stories

Using streaming technology at www.scn.ca, SCN posts popular regional productions for website visitors to enjoy. The entire ***Centennial Homecoming Video*** series, as well as Hunter Lovins' keynote address to Saskatchewan Environment and Resource Management's ***Green Forum***, are already posted, and more programs will be streamed online in the future.

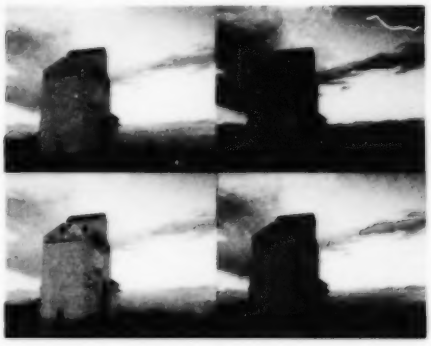


Website renewal

As well as adding the popular streaming video feature, SCN also renewed its entire website at www.scn.ca. Now, it's easier for users to find information about SCN programs and services. The new website also features enhanced security for Friends of SCN who make online donations.

15 Minutes of Fame on SCN

To celebrate its 15th anniversary, SCN is developing a new regional series that showcases the people, places and events that shape Saskatchewan. In March, SCN invited individuals from across the province to propose videos that showcase Saskatchewan spirit. SCN will provide grants to partially fund the video production costs, and ***15 Minutes of Fame*** will premiere fall 2006.



SCN: Saskatchewan's Centennial Network

Throughout 2005, SCN proudly served as Saskatchewan's Centennial Network, with a roster of special centennial programming. SCN's centennial programming was inspirational – from the popular homecoming series that caught the attention of viewers across the province, to historical programs, to gala performances. SCN celebrated Saskatchewan people, Saskatchewan values – Saskatchewan culture.

Trevor Powell, Minister Joan Beatty & Ken Alecxe - Open House, Regina

Centennial stories, centennial legacy

SCN worked with independent producers to develop special centennial programming that reflects Saskatchewan's diverse culture. In September, SCN presented the Saskatchewan Archives Board with a complete library of its centennial programming – 110 hours of TV series, documentaries and specials. SCN's Centennial Legacy Programming is now preserved in the provincial archives for future generations to enjoy and study.

Centennial Homecoming Video Series

To help Saskatchewan people tell their own centennial stories, SCN provided grants to 50 communities across Saskatchewan to videotape their homecoming spirit at Centennial celebrations. Each episode shared Saskatchewan's unique culture while providing work for a number of local videographers. SCN has streamed the popular video series at www.scn.ca so those who couldn't attend can enjoy seeing the festivities.

Saskatchewan Centennial Canoe Quest

One example of the fine centennial legacy programming is ***Saskatchewan Centennial Canoe Quest***. Produced by Saskatoon's Juxtapose Productions, the documentary series followed 30 teams racing to win an 1,100-kilometre, 16-day expedition that traced the original voyageur trade route on the Churchill River.

Centennial Canoe Quest - Juxtapose Productions

The Lieutenant Governor's Centennial Gala

SCN was honoured to broadcast ***The Lieutenant Governor's Centennial Gala***, commissioned by Her Honour the Lieutenant Governor of Saskatchewan, Dr. Lynda Haverstock. Featuring over 700 of Saskatchewan's finest entertainers, the Gala resonated with the unique pride and diversity that defines Saskatchewan culture. Guests of honour were Her Majesty Queen Elizabeth II and His Royal Highness The Duke of Edinburgh.

Lieutenant Governor's Centennial Gala

Strengthening the Saskatchewan Community

Hunter Lovins - Saskatchewan Environment Green Economy & Innovation Forum

SCN strives to tell regional stories that address issues of public priority – such as substance abuse, the environment and more. Celebrating a provincial milestone or educating about an important societal issue, SCN's regional programs are relevant to Saskatchewan viewers' lives.

Canada Summer Games

In August, SCN broadcast the closing ceremonies of the 2005 Canada Summer Games to homes across the province. This ensured everyone in the Saskatchewan community could enjoy the huge event, live from Regina, and celebrate with the 4,500 athletes from the 10 provinces and three territories who competed in the popular Games.

Resurrection

In November, SCN launched an inspirational new documentary program chronicling the innovative determination of the people of Shaunavon, Ogema, and Leroy as they strive to sustain their communities. Produced by Saskatoon-based Juxtapose Productions, ***Resurrection*** focuses on positive rural renewal. The premiere event included an exciting panel discussion, with Shaunavon's mayor and other local business people participating.

Resurrection - Juxapose Productions

Office of the Treaty Commissioner

In February, SCN broadcast a new video series about treaties in Saskatchewan, created by the Office of the Treaty Commissioner. Based both on written Crown documents and the oral history of aboriginal people, the series explains how treaties can work as tools for understanding.

Straight Talk

To educate Saskatchewan families about adolescent substance abuse, SCN launched an important new series in February. ***Straight Talk*** helped families learn to identify the warning signs, where to go for help, and strategies for keeping youth safe from harm. The documentary series also provided information from addictions counsellors, street advocates, police, and mental health workers who deal with substance abuse on a daily basis.

Turning Green

In March, SCN launched ***Turning Green***, a series of documentaries that examine environmental concerns in Saskatchewan – and around the world. To help Saskatchewan viewers understand the need to mitigate the impact humans make on the environment, the series offered information about world water management, alternative energy sources, and the impact of electricity generation along the Churchill River.

Economic
Opportunity

Working Together

Ken Alecxe, George Tsougrianis & Carol Andrews - SWTV News, Swift Current

SCN seeks out and works with partners and sponsors to ensure Saskatchewan stories effectively reach a wide and appropriate audience. This optimizes the benefits of SCN's public educational programming for Saskatchewan people.

With SGI and Saskatchewan Learning

In May, SCN premiered a documentary about a fatal drinking and driving incident with vital sponsorship from SGI. SCN also had assistance from Saskatchewan Learning to coordinate a special broadcast of ***Ted's Story: Honouring Melissa*** to Saskatchewan schools and provide teachers with background information for discussion. This partnership enabled SCN to reach a wide youth audience during graduation season, reminding them to celebrate safely.

With Saskatchewan Environment and Resource Management (SERM)

In November, SCN struck an innovative partnership with SERM to broadcast live and commercial-free the keynote address of the Green Economy and Innovation public forum in Saskatoon. Renowned environmentalist Hunter Lovins delivered the keynote address, which gathered and disseminated information for Saskatchewan's Green Strategy.

With CBC Regional News

SCN rebroadcasts the ***CBC Regional News*** every weeknight at 11 pm, a popular time for viewers, and at 7:30 am the following weekday mornings. SCN also works with CBC anchor Sandra Batson to produce a weekend program that looks back at the week's events.

With Southwest TV (SWTV)

In February, SCN launched a partnership to broadcast more regional news. ***Southwest TV News*** is produced by George Tsougrianis and anchor Carol Andrews, and is a weekly summary of news within a 100-mile radius of Swift Current. Previously the only market in Saskatchewan without regional news coverage, the area's news is now distributed provincially by SCN. It's a win/win partnership: a cooperative way to share local news.

With Saskatchewan Centennial Office

SCN is proud of its positive and successful partnership with Saskatchewan Centennial Office, which led to the development of its fine roster of regional centennial programming. Both organizations worked together to develop centennial initiatives and events that celebrated 100 years of Saskatchewan stories in communities across the province.

Regional Series Pilot Project

SCN is winding down its successful three-year Regional Series Pilot Project, which led to the production of 26 original series, with three new series currently in production and two more in development. Through this initiative, SCN assigned over 2.5 million dollars to over 30 production companies, 65 productions, creating over 300 original hours of broadcast. SCN is pleased to report that the Regional Series Pilot Project has been so successful that it will continue as an ongoing initiative, inviting new proposals annually.

Heather Cline - Art from the Start, Tugaske

Regional Series Launched in 2005 - 2006

100 Saskatchewan Stories

A part of the centennial legacy programming, ***100 Saskatchewan Stories*** has become one of the most popular regional series on SCN. Using photographs, illustrations, music, interviews, narration, archive and current footage, Dacian Productions created a series of vignettes that cover the province geographically, spanning the timeline from pioneers who first broke soil, to scientists who developed cutting edge technology.

Middle of Somewhere

Darryl Kesslar - Plan 9 Inc.

In November, SCN premiered ***Middle of Somewhere***, a co-production from two new Saskatoon-based production companies Juxtapose Productions and Plan 9 Films. Traveling as far south as Cypress Hills, and north to Cumberland House, the series offers an eclectic mix of Saskatchewan's landscape, literature and people as seen through the eyes of host Sian Virgo, an internationally acclaimed author of poetry and short stories.

Art from the Start

In February, SCN launched a new regional series called ***Art from the Start***, hosted by visual artist Heather Cline and co-produced with Birdsong Communications. Cline introduces viewers to some of Saskatchewan's most-renowned artists, as she challenges them to work in an unfamiliar art medium. The series is filmed at Cline's art studio in Tugaske.

Landing

"Landing: Stories from the Cultural Divide" is a 13-part documentary series which explores the changing face of multiculturalism and reveals that however different we first appear, we really aren't that different in the end. ***Landing*** is a co-production of Kahani Entertainment Inc. and the Saskatchewan Intercultural Association.

Landing - Kahani Entertainment

Robert J. Long
- Waterhen Film Productions

Regional Series Pilot Project 2003 - 2006

Series aired or in production:

Art from the Start Birdsong Communications Ltd.
Art InCLINEd Juxtapose Productions
Edifice & Us Wolf Sun Productions
Entertainment West – Seasons 1 to 3 Thomega Entertainment
Generations – Seasons 1 & 2 Birdsong Communications
Good Company Cinepost Films Inc.
Green Life Lasa Media Arts
The Health Show – Seasons 1 to 5 Saskatoon Health District
High School Confidential – Seasons 1 to 3 Cinepost Films Inc.
InCulture Angel Entertainment
Kids and Drugs Cooper Rock Pictures Inc.
Landing – Seasons 1 & 2 Kahani Entertainment
Landscape as Muse 291 Film Company
Life Without Borders – Seasons 1 to 5 Incandescent Films
Long Shadows on the Road Soundings/Steele & Birdsong Communications
Long Shadows – Seasons 1 to 4 Soundings/Steele Inc.
Middle of Somewhere – Seasons 1 & 2 Juxtapose Productions & Plan 9 Inc.
Miywayawin Blue Hill Productions
100 Saskatchewan Stories Dacian Productions
Overtime – Seasons 1 to 4 Birdsong Communications
Prairie Garden Dacian Productions Inc.
Prairie Hands McFlett Productions
Redemption Lasa Media Arts Inc.
Spirit Creations Angel Entertainment
Truth or Tale Framed Films

Still More Saskatchewan Stories

SCN continues to work with Saskatchewan producers, helping to develop and air programs which speak to larger issues and often find broadcast on national and other networks as well as SCN. Some examples include:

Canada Remembers Thomega Entertainment
For the Love of the Land Blue Hill Productions
Indecently Exposed West Wind Productions
Letters from the Summer Solstice Waterhen Film Productions
Moccasin Flats North Central Productions
Psychedelic Pioneers Kahani Entertainment
renegadepress.com Renegade Press Productions
Time and Place West Wind Productions
Under the Skin 4 Square Productions

Friends of SCN

Friends of SCN are viewers who value public television in Saskatchewan so much that they donate money to support regional program development. All donations are tax deductible, and the money raised helps SCN support and broadcast more Saskatchewan stories. In 2005 - 2006, more Friends of SCN joined and made larger donations than ever before, increasing revenues by 26%.

What Friends and other viewers say about SCN

SCN regularly conducts surveys with three important groups, including the Friends of SCN. In the most recent survey (fall 2005) the large majority (81%) of Friends of SCN rate SCN programming as good or very good. They especially value regional programming, and say that SCN provides the best televised information on regional community events and people.

SCN also polls the general public: members of the Saskatchewan community. In a year-after-year success, SCN once again grew its viewing audience, which is both difficult and rare to achieve in this multi-channel universe. The latest public poll shows a 10% increase in just one year; with a full 33% of respondents reporting they watch SCN regularly. Moreover, SCN's familiarity and popularity continues to grow, with 89% of respondents stating they support SCN's regional programming development.

SCN's vision and mandate are confirmed through these survey results – resoundingly. Saskatchewan people appreciate their public educational storyteller, especially the focus on regional programming.

Open House at Government House, Regina

Open Houses

Ken Alecxe with producers Dennis Hrapchak & McLeay Upshall, Shaunavon

To meet Friends of SCN and other viewers, SCN hosts Open Houses in communities across Saskatchewan. Open Houses are often held in partnership with producers, and have proven to be popular and successful for viewers to meet people involved in the Saskatchewan film and TV industry. In 2005 – 2006, SCN hosted Open Houses in Saskatoon, La Ronge, Prince Albert, Regina, Shaunavon, Weyburn and Swift Current. Plans are underway for more in other communities.

E-Learning Network

In 2005 – 2006, the E-Learning Network continued to grow, providing important opportunities for higher learning to Saskatchewan students wherever they live and work. With 270 e-classrooms located in more than 200 Saskatchewan communities, and reaching thousands of secondary and post secondary students a year, the E-Learning Network is a unifying force in Saskatchewan.

Biggest delivery arm

Regina's Campbell Collegiate is Saskatchewan's biggest deliverer of distance education, and its e-courses have an impressive 98 – 99 % success rate. They recently expanded with a new state-of-the-art teaching theatre with five cameras, so teachers and students can interact in a more personal and meaningful way. The new studio will help to more effectively deliver science labs, and more language classes are planned too. The SCN E-Learning Network is also effective for televising professional development for teachers, reaching adult students in regional colleges, and sharing presentations from visiting speakers.

Interactive art class

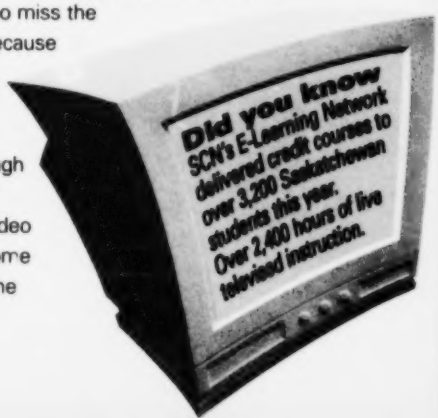
Thanks to the Artist in Residence Project, Saskatchewan visual artist Heather Cline teaches art to 96 Grade eight students on a weekly basis, some as far away as Pine House and Sandy Bay. The course originates from St. Peter School in Regina, while Grade 12 students at O'Neill High School learn valuable technical and production skills working as the team that delivers the course. Students post their artwork online to share with the others in the virtual classroom. The pilot project is sponsored by the Saskatchewan Arts Board, Saskatchewan Learning, the Regina Catholic School Board and SCN.

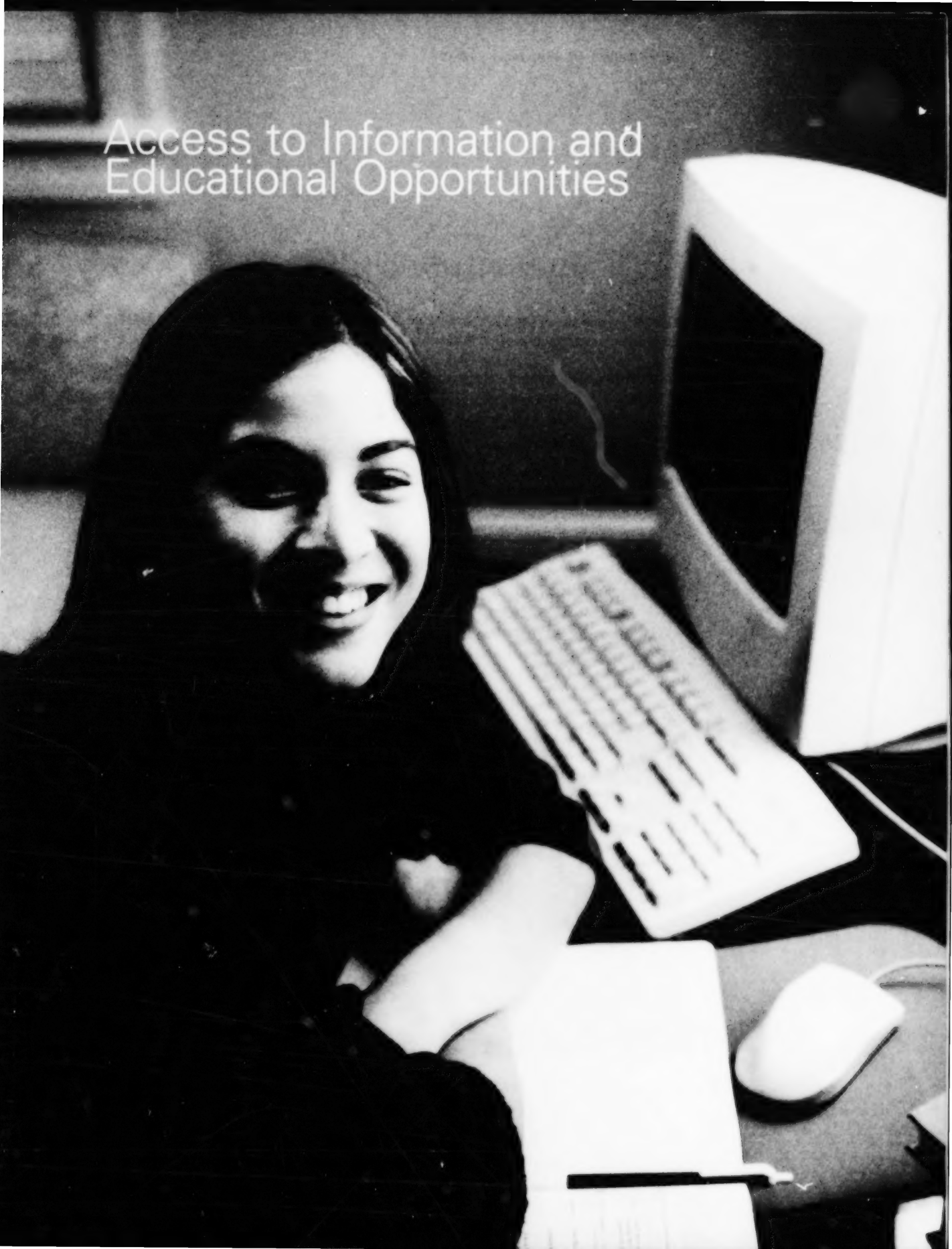
E-Learning classroom - St. Peter

E-Learning Classroom - Campbell Collegiate

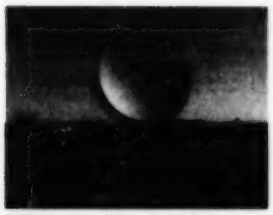
Access to post-secondary opportunities

Saskatchewan's colleges along with the University of Regina and the University of Saskatchewan use the E-Learning Network to extend their course offerings to students in rural and remote areas. For example, SIAST's Business Certificate program is based in Moose Jaw, but it's popular with students throughout the province. That's partly because the entire first year of the program is now available on the E-Learning Network. The lectures are televised live, but students who miss the broadcast because of work or illness can access the lecture through SCN's ecast streaming video site, a welcome addition to the network.




Access to Information and
Educational Opportunities

Digital Satellite Network (DSN2)

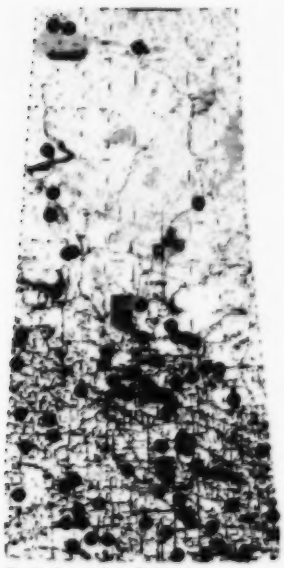


DSN2 site - Maryfield School

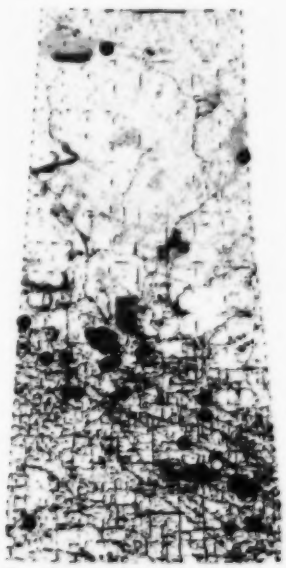
DSN2 supports secure private networking, always-on high-speed internet access for education, health, government services and private sector use.

SCN's DSN2 satellite service is an integral component of Saskatchewan's CommunityNet, a Wide Area Network that provides a shared high-speed connectivity to government offices, schools, health centres and libraries.

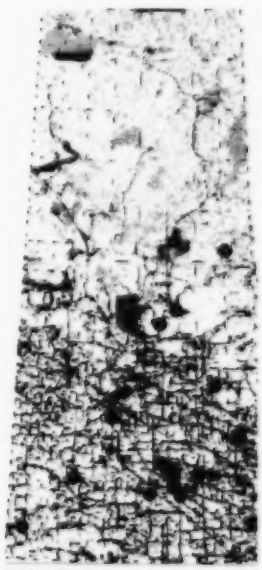
With the capability to support up to 10,000 satellite terminals, DSN2 is set to serve many more customers. Capable of quickly deploying connectivity where broadband is not yet available, DSN2 has great potential to service remote markets. In 2005, SCN began developing tools to market DSN2 to new clients, and is now serving remote sites to customers such as the RCMP, Saskatchewan Environment and Resource Management, and Saskatchewan Liquor and Gaming.



Sask. Learning Schools and Libraries



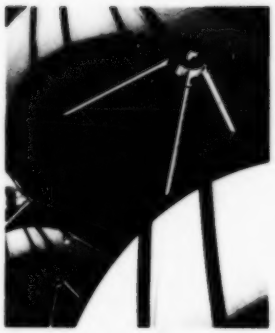
First Nations Schools



WAN Sites

Even More Technical Expertise

SCN is recognized as a technical leader in Saskatchewan. Originally developed to deliver distance education throughout the province, SCN uses its technical infrastructure to offer technical services on a number of different satellite networks.



Special Events Network

The SCN Special Events Network helps clients efficiently communicate to a widely dispersed audience, reaching people in several geographic locations simultaneously. Live, one-way video and audio is transmitted from one to many sites, with interaction available through telephone, fax and internet. SCN has 270 fully equipped sites throughout the region to receive Special Events and can send signals right across North America if needed.

Minahik Waskahigan School students from E-Learning Network Interactive Art Class.

SCN's Help Desk

Technical support for **all** the SCN networks comes from SCN's Help Desk. Year after year, SCN clients report that Help Desk employees are exceedingly helpful, professional, timely, and passionate about their work. SCN networks receive various levels of technical support, from telephone support to onsite installation and maintenance.

Saskatchewan Legislative Network

SCN provides distribution services to the proceedings of the Saskatchewan Legislature, so people throughout the province can witness the session from their own living rooms. Furthermore, when the Assembly is in session, Member Statements and Question Period are rebroadcast daily on the SCN Broadcast Network, at midnight and 7:00 am the following day.

Steve Zeimer
- University of Regina Control Studio

Accountable to You – Management Discussion and Analysis

As Saskatchewan's public regional broadcaster, we are accountable to the people of our region. SCN strives to achieve this through an annual strategic planning process and effective performance measures.

Strategic Planning Process

The Saskatchewan Communications Network (SCN) was created by an act of the legislature in 1989 and SCN is a Treasury Board Crown entity under *The Communications Corporation Act*.

SCN's performance plan builds upon the vision that SCN will be teacher, entertainer and keeper of cultural values. The annual planning process is inclusive with involvement of all staff and consultation with various external stakeholders.

Performance Management

Performance measures are the critical tool to achieve success in our stated vision and strategic goals. SCN's performance objectives and results are described in the Balanced Scorecard that follows. The Scorecard focuses on financial performance, customer satisfaction, business progress and employee growth.

SCN Balanced Scorecard

Financial Management

Objective	Targets		Results
	2006/07	2005/06	2005/06
Increase sponsorship and membership revenue	$300,000	$250,000	$373,802

Results 2005/06

- SCN exceeded the target by approximately 50%, due primarily to special one time Centennial Office grants for Centennial specific programming.

Stakeholders

Objective	Targets		Results
	2006/07	2005/06	2005/06
Increase the positive response rate of current viewers	85%	85%	81%
Maintain positive rate of viewers who value regional programming	89%	n/a	89%
Increase percentage of regional programming	30%	n/a	28%
Maintain satisfaction level of SCN external stakeholders	91%	n/a	91%
Maintain service reliability of networks	99.97%	n/a	99.97%

Results 2005/06

- SCN's Public Opinion Survey suggests that the slight decline in the positive response rate of current viewers is due to aging broadcast programs aired from the available inventory.

Business Growth

Objective	Targets		Results
	2006/07	2005/06	2005/06
Increase viewing audience	33 - 35%	30%	33%
Increase response rate to value of public education broadcasting	88%	n/a	87%
Replace expired inventory	450 - 550 hours	550 – 600 hours	1,092 paid hours
Maintain rate of CTF funding envelope directed to regional programming	78%	n/a	75%

Results 2005/06

- SCN exceeded the increase in viewing audience and the results of our Public Opinion Survey suggest this was mainly attributed to the viewers desire to watch regional programming. Programs for, by and about Saskatchewan and the region. The measure is based on a viewer survey question "***How often do you watch SCN?***" - One third (33%) of respondents watch SCN often or sometimes. With a proportionately distributed province-wide sample of 1,002 people, we can say with a 95% level of certainty that the overall results of the survey are within plus or minus 3.1% of what they would be if the entire adult population of the province were polled.
- SCN exceeded the 2005/06 target as additional one-time government funding was received and allocated to the purchase of program inventory hours.

Employee Growth and Learning

Objective	Targets		Results
	2006/07	2005/06	2005/06
Increase % of staff participating in professional development opportunities	85 - 95%	100%	84%
Maintain diverse workforce			
female senior management	34%	34%	29%
female other management	32.1%	32.1%	80%
visible minority	2.4%	2.4%	9%
aboriginal	10.5%	10.5%	0%
with disabilities	3.1%	3.1%	0%

Results 2005/06

- The barriers towards achieving a diverse work force include the; limited number of vacancies due to low turnover, specialized jobs and small staff numbers.

The Year Ahead, 2006 - 2007

Details of the year ahead can be found in SCN's 2006/07 Performance Plan available on the web site at www.scn.ca. This plan includes the following strategic goals:

1. **Cultural Affirmation:** SCN communicates with the region; profiling the culture, history, places and people of our region through the business of broadcasting.

2. **Economic Opportunity:** SCN creates economic opportunity through support of the Saskatchewan film and video industry by purchasing broadcast rights for existing programs and funding future program opportunities.

3. **Access to Information and Educational opportunities in Remote Areas:** SCN connects the remote and rural communities, areas currently underserved, for the purpose of distributing educational and cultural programming.

SCN provides added value to the people and communities of this region through:

- The development, retention and distribution of their stories;
- An increase in economic activity within the film and video industry; and
- The access to learning opportunities that would not otherwise be available

SCN's strategic plan is not a static document; it will continue to evolve over time to reflect new priorities, as well as changes to the operating environment. Evaluation of the plan will occur annually, with participation of SCN's staff, SCN's Board of Directors and relevant government departments, with revisions made when required.

Financial Report

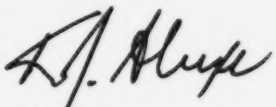
Responsibility for Financial Statements

Management has prepared the financial statements of the Corporation in accordance with Canadian generally accepted accounting principles. The financial data included elsewhere in this report is consistent with these statements and the underlying information from which the Corporation prepared them.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this integral part of operations the Corporation maintains an appropriate system of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safely guarded and transactions are authorized and accurately recorded.

An audit committee, composed of members of the SCN Board of Directors, meets at least twice a year with management and a team of independent auditors. These auditors have free access to this committee, without management present to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

The financial statements have been examined and approved by the SCN Board of Directors. Independent external auditors have examined the March 31, 2006 financial statements and their report follows.



Ken Alecxe

President and CEO

May 2006

KPMG LLP
Chartered Accountants
2000 – 1881 Scarth Street
Regina SK S4P 4K9

Telephone (306) 791-1200
Telefax (306) 757-4703
www.kpmg.ca

AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the balance sheet of Saskatchewan Communications Network Corporation as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
May 18, 2006

BALANCE SHEET

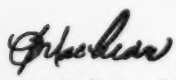
AS AT MARCH 31, 2006

	2006	2005
ASSETS		
Current Assets		
Cash	$ 1,137,194	$ 1,529,589
Accounts receivable and accrued interest	940,392	133,987
Inventory and prepaid expenses	79,828	71,285
	2,157,414	1,734,861
Property Plant and Equipment (note 3)	799,404	1,241,452
Film and Television Program Rights (note 4)	2,734,335	2,084,048
	$ 5,691,153	$ 5,060,361
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,586,878	$ 430,341
Funds under administration **(note 5)**	68,233	54,429
	1,655,111	484,770
Deferred Contributions (note 6)	199,995	180,826
Deferred Contributions Related to Property Plant and Equipment (note 7)	474,297	819,949
NET ASSETS		
Invested in property plant and equipment	325,107	421,503
Invested in film and television program rights	2,734,335	2,084,048
Internally restricted – Capital reserve	200,000	200,000
Unrestricted	102,308	869,265
	3,361,750	3,574,816
	$ 5,691,153	$ 5,060,361

Commitments **(note 8)**

SIGNED ON BEHALF OF THE BOARD

, Director

 , Director

see accompanying Notes to the Financial Statements

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2006

	2006	2005
REVENUE		
Grant from the Government of Saskatchewan		
- General revenue fund	$ 5,687,000	$ 5,184,999
Data transmission over satellite	1,831,737	1,480,881
Video transmission over satellite	304,527	363,556
Corporate sponsorship	322,495	179,000
Project administration and miscellaneous	88,053	45,929
Membership	51,307	37,514
Interest	30,622	25,591
	8,315,741	7,317,470
EXPENSES (note 13 and 14)		
Film and television program rights	2,206,821	1,613,998
Program development and production	282,064	209,051
Program support	503,695	433,525
Broadcast network distribution	1,126,422	1,094,423
E-learning network distribution	503,586	496,686
Other networks distribution and support	1,637,800	1,414,723
Administration	1,602,815	1,430,875
Amortization of property plant and equipment	665,604	697,649
	8,528,807	7,390,930
DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR	$ (213,066)	$ (73,460)

see accompanying Notes to the Financial Statements

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2006

	Invested in		Internally restricted – Capital reserve (note 2e)	Unrestricted	2006
	Property plant and equipment	Film and television program rights			
Balance, beginning of year	$ 421,503	$ 2,084,048	$ 200,000	$ 869,265	$ 3,574,816
Excess (deficiency) of revenues over expenses	(665,604)	(1,848,229)	–	2,300,767	(213,066)
Net change in investments	223,556	2,498,516	–	(2,722,072)	–
Deferred contributions related to property plant and equipment	345,652	–	–	(345,652)	–
Balance, end of year	$ 325,107	$ 2,734,335	$ 200,000	$ 102,308	$ 3,361,750

see accompanying Notes to the Financial Statements

FOR THE YEAR ENDED MARCH 31, 2005

	Invested in		Internally restricted – Capital reserve (note 2e)	Unrestricted	2005
	Property plant and equipment	Film and television program rights			
Balance, beginning of year	$ 549,933	$ 2,122,152	$ 200,000	$ 776,191	$ 3,648,276
Excess (deficiency) of revenues over expenses	(655,656)	(1,573,398)	–	2,155,594	(73,460)
Increase in investments	1,347,175	1,535,294	–	(2,882,469)	–
Deferred contributions related to property plant and equipment	(819,949)	–	–	819,949	–
Balance, end of year	$ 421,503	$ 2,084,048	$ 200,000	$ 869,265	$ 3,574,816

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2006

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants received	$ 5,687,000	$ 5,184,999
Interest received	29,602	24,824
Fees received for goods and services	1,466,251	3,052,481
Net cash receipts for funds under administration	13,804	26,815
Cash payments to suppliers and employees	(4,866,980)	(5,439,415)
	2,329,677	2,849,704
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash payments for purchase of property plant and equipment	(223,556)	(1,347,175)
Cash payments for purchase of film and television program rights	(2,498,516)	(1,535,294)
	(2,722,072)	(2,882,469)
(decrease) in cash	(392,395)	(32,765)
CASH - BEGINNING OF YEAR	1,529,589	1,562,354
CASH – END OF YEAR	$ 1,137,194	$ 1,529,589

see accompanying Notes to the Financial Statements

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2006

1 STATUS OF CORPORATION

Saskatchewan Communications Advanced Network Authority (SCAN) was established by an order-in-council January 11, 1989 under the Crown Corporations Act, 1978. SCAN was continued as Saskatchewan Communications Network Corporation (SCN) under the Communications Network Corporation Act, 1990. Accordingly, the financial results of the Corporation are included in the summary financial statements of the Province of Saskatchewan. As a provincial Crown corporation, SCN is not subject to federal income tax, provincial income tax, federal large corporations tax or goods and services tax.

2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Inventory

Inventory, consisting of blank video tapes, is recorded at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Inventory, consisting of receivers, satellite antennae and routers, is recorded at the lower of weighted average cost, and net realizable value.

b) Revenue recognition

The government operating grant is recognized in the year received. Other government contributions are recognized as revenue in the fiscal year in which the related expenses are incurred.

Deferred contributions represent funding received in the current period that is related to externally restricted expenses in the subsequent period.

Other revenues are recognized when the related service is provided.

c) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

d) Defined contribution pension plan

The Corporation contributes to a defined contribution plan. The defined contribution plan costs are recognized as employees render services during the year.

e) Internally restricted - Capital reserve

This appropriation has been established to provide for the replacement and upgrading of satellite receivers and other technical equipment. Amounts may be transferred to (from) the reserve on the authority of the Board of Directors.

f) Property plant and equipment

Property plant and equipment are recorded at cost less accumulated amortization. Amortization is calculated over the assets estimated useful lives as follows:

Office equipment and furniture	Declining Balance	30%
Uplink development	Declining Balance	30%
Computer hardware	Declining Balance	40%
TVs, VCRs, satellite dish and video receivers	Declining Balance	40%
Fax machines and audio conferencing units	Declining Balance	50%
Computer software	Declining Balance	60%
Data transmission eq. ıent	Straight Line	3 years
Scheduling computer . ware	Straight Line	5 years
Network configuration	Straight Line	5 years
Office renovations	Straight Line	6 years
Digital video compression equipment	Straight Line	9 years

On an annual basis SCN management accesses the remaining useful life of property, plant and equipment and if required adjusts the amortization period.

g) Film and television program rights

Film and television program rights are recorded at cost less accumulated amortization. Amortization is calculated as follows:

Class A: Event programming	Expense	100%
Class B: Short to mid term programming	50:50	2 years
Class C: Normal term programming	35:35:30	3 years
Class D: Long term programming	Straight Line	5 years

On an annual basis SCN management accesses the remaining useful life of film and television program rights and if required adjusts the amortization period.

3 PROPERTY PLANT AND EQUIPMENT

The components of property plant and equipment as well as the related accumulated amortization are:

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment and furniture	$ 441,014	$ 339,064	$ 101,950	$ 108,884
Uplink development	538,240	512,053	26,187	37,410
Computer hardware	556,539	505,475	51,064	56,604
TVs, VCRs, cameras, satellite dishes and receivers	518,442	510,196	8,246	4,995
Fax machines and conferencing units	31,652	31,607	45	113
Computer software	146,258	134,833	11,425	6,361
Data transmission equipment	2,268,478	1,794,181	474,297	819,949
Scheduling computer software	128,852	112,741	16,111	25,632
Network configuration	360,027	315,985	44,042	83,446
Office renovations	192,073	126,036	66,037	98,049
Digital video compression equipment	1,341,474	1,341,474	0	9
	$ 6,523,049	$ 5,680,702	$ 799,404	$ 1,241,452

4 FILM AND TELEVISION PROGRAM RIGHTS

The components film and television program rights as well as the related accumulated amortization are:

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Class B	$ 532,575	$ 266,287	$ 266,288	$ 236,407
Class C	1,082,100	514,827	567,273	361,399
Class D	3,568,227	1,667,453	1,900,774	1,486,242
	$5,182,902	$2,448,567	$2,734,335	$2,084,048

Amortization for the year totaled $1,848,229 (2005 - $1,573,398).

5 FUNDS UNDER ADMINISTRATION

The Corporation administers funds on behalf of related parties, in accordance with the terms of contracts between the Corporation and the related parties.

6 DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for data transmission over satellite and restricted for program development received in the current period that is related to the subsequent period. Changes in the deferred contributions balance are as follows:

	2006	2005
Beginning balance, related to data transmission over satellite	$ 180,826	$ —
Less amount recognized as revenue in the year	(180,826)	—
Add amount received related to the following year	104,995	180,826
Ending balance, related to data transmission over satellite	104,995	180,826
Beginning balance, related to program development	—	—
Less amount recognized as revenue in the year	—	—
Add amount received related to the following year	95,000	—
Ending balance, related to program development	95,000	—
Ending balance	$ 199,995	$ 180,826

7 DEFERRED CONTRIBUTIONS RELATED TO PROPERTY PLANT AND EQUIPMENT

Deferred contributions represent funding received to purchase data transmission over satellite equipment. These amounts are amortized over the three year life of the underlying assets. Changes in the deferred contributions balance are as follows:

	2006	2005
Beginning balance	$ 819,949	$ —
Contributed equipment	128,646	1,229,923
Amount amortized to revenue	(474,297)	(409,974)
Ending balance	$ 474,297	$ 819,949

8 COMMITMENTS

a) Productions

At March 31, 2006 the Corporation had commitments totaling $97,025 (2005 - $28,500) representing the estimated costs to complete productions in progress.

b) Broadcast and duplication rights

At March 31, 2006 the Corporation had commitments totaling $1,128,524 (2005 - $1,236,883) for the acquisition of broadcast and duplication rights.

c) Satellite transponder

The Corporation has contracted with vendors for transponder space at an estimated cost for 2006-2007 of $1,839,660 (2005/06 - $1,839,660). Included in the 2006-2007 total is $1,081,149 to support the Internet over Satellite Initiative. Saskatchewan Learning commits to covering this cost. The contracts are subject to annual renewal.

d) Head end contract

The Corporation has a contract with the University of Saskatchewan, a related party, for the operation of SCN's master control until September 30, 2006. The contract cost during 2006-07 is $359,375 (2005/06 - $679,980). Upon conclusion of this contract SCN will control this operation internally.

e) Backhaul contract

The Corporation contracts with vendors for signal transportation services at an estimated cost for 2006-2007 of $346,548 (2005/06 - $346,548). Included in this total is $16,178 to support the Internet over Satellite Initiative. Saskatchewan Learning commits to covering this cost. The contracts are subject to annual renewal.

f) Property lease agreement

The Corporation has a contract with the Saskatchewan Property Management (SPM), a related party, for the lease of accommodation space. The contract cost for 2006-2007 is $211,622. The contract extends to June 30, 2007.

g) Lease agreement for broadcast scheduling software

The Corporation contracts with vendors for the lease of broadcast scheduling software. The contract cost for 2006-2007 is $9,358. The contract extends to July 31, 2006.

A summary of future years commitments are detailed below:

Year ending March 31	Commitments
2007	$ 3,802,262
2008	232,520
2009	10,500
Total	$ 4,045,282

9 PENSION COSTS

In 2006, pension expense and employer contributions for the Public Employees Pension Plan were $84,269 (2005 - $74,415).

10 RELATED PARTY TRANSACTIONS

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the government.

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which SCN is related. The more significant of these are SaskTel, Saskatchewan Property Management (SPM), the Saskatchewan Legislative Assembly (SLA), and Saskatchewan Learning. Also, SCN is related to non-crown enterprises that the government jointly controls or significantly influences. Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

The following table summarizes SCN's major related party transactions that are in the normal course of operations. These transactions are recorded at exchange amounts agreed to by the related parties.

	2006	2005
Revenues		
Data transmission over satellite		
- Saskatchewan Learning	$ 809,924	$ 1,655,486
- SPM	564,744	726,360
- Less deferred contributions	(169,284)	(1,000,580)
Net revenue – Data transmission over satellite	1,205,384	1,381,266
Video transmission over satellite		
- SLA for distribution of proceedings	268,498	273,400
- Saskatchewan Health for satellite conferences	—	23,462
Government of Saskatchewan, Provincial grant	5,137,000	5,184,999
Department Culture, Youth and Recreation		
- Centennial Office 2005	239,280	
Expenses		
Administration		
- SPM for accommodation and renovation expense	201,177	192,927
- SPM for general operating costs	84,113	109,487
- SaskTel for telephone operating costs	23,832	18,877
Network distribution		
- SPM for signal transport services	89,743	79,382
- SaskTel for video and audio signal transport services, and telephone charges	42,770	18,704
Accounts Receivable at March 31, 2006		
- Government of Saskatchewan, Provincial grant	550,000	—
- SPM for data transmission over satellite	141,186	—
- Saskatchewan Legislative Assembly	7,758	30,000
- Saskatchewan Health	—	7,160
Department Culture, Youth and Recreation		
- Centennial Office 2005	9,840	45,000
- Royal Saskatchewan Museum	95,000	—
Accounts Payable at March 31, 2006		
- SPM for general operating costs	12,761	2,575
- SaskTel for signal transport services and telephone charges	910	6,238

Other transactions with related parties, including their terms of settlement, are described separately in the financial statements and notes therein.

11 FINANCIAL INSTRUMENTS

The Corporation's recognized financial instruments consist of accounts receivable, accounts payable and funds under administration. The Corporation does not have any financial assets or financial liabilities which are not recognized in the financial statements.

a) Fair values

The fair values of the above noted financial instruments approximate their carrying value due to the short-term nature of these instruments.

b) Credit risk

The Corporation is exposed to credit risk from the potential default of customers. However, the majority of the Corporation's receivables are from related parties, other government corporations and agencies. Therefore the credit risk is minimal.

12 COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2005 balances have been re-classified to conform to the 2006 financial statement presentation.

13 COMPARISON OF PLANNED AND ACTUAL RESULTS EXPENSES

	2006		2005
General Operating Expenses	**Budget**	**Actual**	**Actual**
Film and television program rights	$ 350,000	$ 358,591	$ 40,600
Film and television program rights – amortization	1,848,230	1,848,230	1,573,398
Program development and production	207,437	282,064	209,051
Program support	477,687	503,695	433,525
Broadcast network distribution	1,091,838	1,126,422	1,094,423
Other networks distribution	504,531	503,586	496,686
Administration	1,578,597	1,602,815	1,430,875
Administration – amortization	121,040	121,040	120,933
Network distribution - amortization	544,564	544,564	576,716
Sub-total	6,723,924	6,891,007	5,976,207
Additional Services Provided			
Network distribution - data	$ 1,350,668	$ 1,283,617	$ 1,122,857
Network distribution – video	304,950	354,183	291,866
Sub-total	1,655,618	1,637,800	1,414,723
Total	$ 8,379,542	$ 8,528,807	$ 7,390,930

	2006		2005
Capital Purchases	**Budget**	**Actual**	**Actual**
Property Plant and Equipment			
Administration	$ 40,000	$ 79,010	$ 95,285
Network distribution – general	2,500	15,900	21,967
Network distribution – additional services	–	128,646	1,229,923
Film and Television Program Rights			
General program rights	1,353,356	1,962,180	1,147,064
Educational program rights	210,000	213,841	209,230
Sponsorship program rights	20,000	322,495	179,000
Total	$ 1,625,856	$ 2,722,072	$ 2,882,469

14 CLASSIFICATION OF EXPENSES BY OBJECT

	2006	2005
Salaries (including benefits)	$ 1,512,849	$ 1,284,389
Communications	315,036	252,754
General operations		
- Administration	646,657	580,215
- Networks	620,660	619,934
Distribution of networks	3,044,820	2,880,425
Program rights	2,206,821	1,613,997
Production costs	181,964	159,216
Total	$ 8,528,807	$ 7,390,930

SASKATCHEWAN COMMUNICATIONS NETWORK
VENDOR ANALYSIS - Cash Payments - 2005/06

Listed are payees who received $50,000 or more for the provision of goods and services, including office supplies, communications, contracts and equipment

Vendor Name	
101072735 Saskatchewan Ltd.	87,500.00
Bell ExpressVu L.P.	639,484.11
Birdsong Communications Ltd.	93,500.00
Blue Hill Productions	50,000.00
Canadian Broadcasting Corporat	106,055.83
Celeste Zander	61,824.07
Cooper Rock Pictures Inc.	96,200.00
Dacian Productions Inc.	61,750.00
EMS	109,822.98
Incandescent Films	148,000.00
Juxtapose Productions	72,250.00
Kahani Entertainment Inc.	65,700.00
LASA Media Arts Inc.	50,850.00
Minister of Finance	100,527.39
Renegade Press Productions III	52,500.00
Saskatchewan Property Manageme	364,827.47
SaskTel	60,771.52
TD Visa	52,235.07
Telesat Canada	1,356,865.78
TVOntario	57,900.00
University of Saskatchewan	701,215.77
Payees Under $50,000	1,814,843.75
	$6,204,623.74

Listed are individuals who received payments for salaries, benefits, honourariums, etc. which total $2,500 or more

Alecxe, Ken	132,626.50
Bender, Jenifer	3,678.26
Capili, Ben	56,439.31
Cardinal, Rhyse	35,091.06
Cumberland, Robert	35,897.26
Frederickson, Cory	42,737.60
Galati, Maria	46,344.69
Gelowitz, Veronica	4,376.26
Gibbons, Rebecca	47,541.17
Gustin,Richard	99,422.35
Haws, Christopher	8,634.84
Hubick, Colin	2,694.46
Huntley, Krista	36,380.47
Johns, Jim	75,858.66
Kreke, Josh	2,258.83
La Rose, Leremy	2,391.87
Lindsay, Betty	19,769.53
MacDonald, Maureen	84,942.84
MacDougall, Twyla	81,475.33
Mazenac, Laura	30,397.65
McDonald, Joanne	51,335.87
Moriarty, Terry	49,558.72
Nenson, Christie	26,864.16
Ness, Monique	23,513.18
Nixon, Kendra	27,185.51
Norman, Brent	51,597.91
Payeur, Linda	38,364.36
Ritter, Lee	6,172.54
Sayer, Lisa	6,635.47
Shotter, Kristi	3,357.62
Stanchuk, David	86,200.25
Still, Paul	45,366.08
Thakre, Ranjan	36,795.83
Wise, Jody	45,350.85
Zander, Celeste	37,170.71
	$1,384,428.00
	$7,589,051.74

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